

Message Text

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SUBJ: CUBAN-HUNGARIAN ECONOMIC RELATIONS

1. USINT OFFICER, FEBRUARY 21, CALLED ON IVAN SOS AND TIBOR HAVASI, COMMERCIAL COUNSELOR AND ATTACHE, HUNGARIAN EMBASSY, FOR DISCUSSION OF CUBAN-HUNGARIAN TRADE.

2. SOS WHO CARRIED CONVERSATION ON HUNGARIAN SIDE, STATED THAT 1978 CUBAN-HUNGARIAN COMMERCIAL AGREEMENT PROVIDES FOR TWO-WAY TRADE TOTALING SEVENTY MILLION RUBLES. (TRADE, SOS SAID, WOULD BE NEARLY BALANCED. SEE PARA 7 BELOW RE CREDIT ARRANGEMENTS.) SOS POINTED OUT THAT 1978 AGREED FIGURE REPRESENTS A FORTY PERCENT INCREASE OVER 1977 TWO-WAY TRADE. HE SAID THAT DRAMATIC INCREASE WAS MOTIVATED BY: A) LOW FREE MARKET PRICE FOR SUGAR WHICH HAS INCREASED INCENTIVES FOR CUBANS TO BUILD UP SALES TO SOCIALIST COUNTRIES, AND B) CUBAN EFFORT TO SUBSTITUTE PURCHASES FROM HARD CURRENCY AREA WITH PURCHASES FROM SOCIALIST COUNTRIES. SOS SAID THAT HUNGARY IS PREPARED TO AGREE WITH ALMOST ANY CUBAN PROPOSAL TO ATTAIN RESULTS DESIRED BY CUBANS.

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3. WITH REGARD TO CONTENT OF TRADE, SOS SAID THAT NINETY-FOUR PERCENT OF HUNGARIAN IMPORTS CONSIST OF SUGAR. (REMAINING IMPORTS ARE TOBACCO, ALCOHOL, RUM, ABOUT 5-6 TONS OF CITRUS, AND INTESTINES FOR SAUSAGE. NO NICKEL IS IMPORTED.) SUGAR IMPORTS IN 1978 WILL TOTAL SIXTY FIVE THOUSAND TONS (A TEN THOUSAND TON INCREASE OVER 1977

IMPORTS.) DESPITE SIGNIFICANT DOMESTIC BEET PRODUCTION AND PRESENCE OF EE'S ONLY HIGH FRUCTOSE CORN SWEETENER PLANT, HUNGARIANS ANTICIPATE ACCOMMODATING SUBSTANTIAL CUBAN SUGAR IMPORTS THROUGH 1980 AND PROBABLY BEYOND.

4. IN TERMS OF HUNGARIAN EXPORTS, SOS SAID THAT TWO-THIRDS TO THREE-FOURTHS OF DELIVERIES CONSIST OF PRIMARY MATERIALS (ALUMINUM BILLETS, SPECIALIZED STEEL) AND AGRICULTURAL PRODUCTS (CORN, LARD). REMAINDER OF EXPORTS CONSISTS OF SPARE PARTS FOR MACHINES PREVIOUSLY PROVIDED TO CUBA. SOS ACKNOWLEDGED THAT MUCH OF CORN DELIVERED TO CUBA IS PURCHASED ABROAD FOR HARD CURRENCY ON CUBAN BEHALF. (HE POINTED TO 1977 HUNGARIAN PURCHASES FROM ARGENTINA.) SOS ALSO STATED THAT HUNGARIANS AND SOVIET UNION TWO YEARS AGO HAD PURCHASED CORN AND WHEAT RESPECTIVELY FROM US FOR DELIVERY TO CUBA. WHEN USINT OFFICER POINTED OUT THAT THIS IS VIOLATION OF US EMBARGO, SOS STATED THAT HE MUST HAVE MISSPOKEN AND HAD MEANT TO REFER TO PURCHASES FROM CANADA.

(COMMENT: CUBAN FOOD IMPORTERS HAVE ALSO IMPLIED TO USINT OFFICERS PREVIOUSLY THAT EMBARGO SCARCELY INHIBITS THEM FROM OBTAINING US PRODUCTS. WHETHER THIS IS TRUE TO SIMPLY A DISPLAY OF BRAVADO TO DENIGRATE EMBARGO'S EFFECTIVENESS IS UNCERTAIN.)

5. SOS SAID THAT CUBANS ARE NOW IN PROCESS OF COMPILING CONFIDENTIAL

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LIST OF ARTICLES THEY WISH TO OBTAIN FROM HUNGARY IN 1978 THAT WERE FORMERLY OBTAINED IN CAPITALIST WORLD. SIMILAR LIST WAS ALSO SUBMITTED TO, AND AGREED TO, BY HUNGARIANS IN 1977. SOS SAID HE ANTICIPATES THAT CUBANS WILL REQUEST DOUBLING OF AMOUNTS OF CORN AND PORK (MEAT) SUPPLIED BY HUNGARIANS LAST YEAR, AND INCREASE IN CHEMICAL DELIVERIES. SOS SAID THAT HUNGARIANS WILL AGREE TO ANYTHING CUBANS REQUEST.

6. SOS SAID THAT HUNGARIAN PRICES FOR EXPORTS AND IMPORTS ARE FIXED ON BASIS OF AVERAGE WORLD PRICE PREVAILING BETWEEN 1971 AND 1975.

7. REGARDING CREDITS, SOS INDICATED THAT CUBANS IN 1976 FINISHED PAYING FOR GLASS FACTORY BUILT BY HUNGARIANS IN 1960'S. CURRENTLY, THERE ARE TWO CREDITS OUTSTANDING - 20 MILLION PESOS GRANTED IN 1973 AND 40 MILLION PESOS GRANTED IN 1975. TERMS OF REPAYMENT ARE ONE YEAR GRACE PERIOD WITH TWELVE YEARS REPAYMENT PERIOD AT TWO PERCENT INTEREST. REPAYMENT IS IN SUGAR AND TOTAL DELIVERY FIGURES ARE SUBSUMED IN GLOBAL TRADE AND SUGAR DELIVERY STATISTICS OUTLINED IN PARAS 2 AND 3. SOS SAID THAT CREDIT TERMS SPECIFY HUNGARIAN EXPORT SECTORS IN WHICH CREDITS MUST BE USED,

BUT DO NOT LINK CREDITS TO SPECIFIC ITEMS OR PROJECTS.
SOS SAID HUNGARIANS ARE NOT CURRENTLY ENGAGED IN ANY
CONSTRUCTION PROJECTS IN CUBA.

8. WITH REGARD TO UNIQUE HUNGARIAN FOREIGN TRADE STRUC-
TURE, SOS SAID CUBANS HAD EXPRESSED INTEREST, BUT, OTHER
THAN EXCHANGE OF TEXTBOOKS, THERE IS NO TRAINING OF CUBAN
ECONOMISTS OR PLANNERS TAKING PLACE IN HUNGARY. FYI
SOS, CURIOUSLY DISAGREED WITH USINT OFFICER'S PRAISE FOR
HUNGARIAN FROEIGN TRADE STRUCTURE, AND SAID THAT DECENTRAL-
IZED HUNGARIAN SYSTEM HAS NOT PROVIDED ACCEPTABLE BALANCE
OF TRADE. END FYI

9. COMMENT: HUNGARIANS, THOUGH THEIR TRADE IS OF
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RELATIVELY LOW MAGNITUDE, SEEM QUITE ABJECT IN THEIR
RESPONSIVENESS TO CUBAN DEMANDS FOR PREFERENTIAL TREAT-
MENT IN 1978. SOS' COMMENTS, OF COURSE, MAY HAVE BEEN
INFLUENCED BY HIS OWN APPARENT PERSONAL PREFERENCE FOR
CASTRO'S CENTRALIZED MANAGEMENT OF ECONOMY. END COMMENT.

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